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SERVICE DATE - MAY 21, 2004
SURFACE TRANSPORTATION BOARD

NOTICE

STB Ex Parte No. 347 (Sub-No. 2)

RATE GUIDELINES - NON-COAL PROCEEDINGS

Decided: May 17, 2004

In Rate Guidelines—Non-Coal Proceedings, 1 S.T.B. 1004 (1996), the Board established guidelines for handling rate complaints in cases where the constrained market pricing (CMP) guidelines cannot practicably be applied.¹ In that decision, the Board provided tables containing “Revenue Shortfall Allocation Method” (RSAM) and “Average Revenue-to-Variable Cost > 180” (R/VC > 180) percentages for each Class I railroad for the 4-year period 1991-1994. The RSAM percentage measures the average mark-up above a carrier’s variable cost that the carrier would need to charge all its potentially captive traffic (traffic priced above 180% of variable costs) in order for the carrier to recover all of its non-variable costs under the Board’s Uniform Rail Costing System (URCS). RSAM accounts for a railroad’s need to earn adequate revenues as required by 49 U.S.C 10704(a)(2). The R/VC > 180 percentage represents the average mark-up above variable cost that a carrier receives on its high-rated traffic (traffic priced above 180% of variable cost). The Board updates the RSAM and R/VC > 180 tables annually.

The attached tables contain RSAM and R/VC > 180 percentages for the period 1999-2002 for all Class I carriers except Grand Trunk Corporation (GTC), and contains Western but not Eastern or

¹ CMP was adopted as the preferred procedure for evaluating the reasonableness of challenged rates in Coal Rate Guidelines—Nationwide, 1 I.C.C.2d 520 (1985).

National composite percentages. GTC is the reporting entity for Canadian National's U.S. operations. GTC's 2002 report represents a significant change from prior years, the result of the consolidation of Illinois Central and Grand Trunk Western financial statements and the addition (and consolidation) of Wisconsin Central LTD. Because the operating statistics of GTC are not comparable to the previously reported individual railroad statistics, the Board could not compute a meaningful 4-year average for GTC or for Eastern or National composites. Thus, the tables reflect only the 2002 results for GTC and for the Eastern and National composites. Until additional years of data become available, interested parties may wish to rely on other relevant information in addition to the single year data for GTC and the composite averages shown here.

By the Board, Leland L. Gardner, Director, Office of Economics, Environmental Analysis, and Administration.

Vernon A. Williams
Secretary

Table I
RSAM Mark-up Percentages 1999 - 2002
(Range Represents RSAM With & Without Efficiency Adjustment)

Railroad/ Region	4 - Year Average	2002	2001	2000	1999
BNSF	235-316	273-366	258-354	222-296	185-248
GTC		415-497			
KCS	281-340	266-310	302-364	275-339	280-345
SOO	316-407	237-260	328-441	298-361	399-565
NS	191-238	179-216	186-235	208-272	191-227
CSX	222-263	223-259	242-290	217-259	205-245
UP	224-311	196-255	213-299	254-369	231-322
Eastern Region		215-254			
Western Region	229-316	224-297	233-326	243-341	217-298
National		221-280			

Table II
R/VC>180 Percentages 1999-2002
Actual Average Mark-up Percentages for Traffic Above 180% R/VC

Railroad/ Region	4 - Year Average	2002	2001	2000	1999
BNSF	263	258	266	266	263
GTC		228			
KCS	248	238	263	242	248
SOO	234	205	256	228	246
NS	212	221	219	200	206
CSX	200	207	192	191	210
UP	232	236	234	222	234
Eastern Region		214			
Western Region	246	247	249	242	247
National		234			